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Gavin Esler-CIA mischief in Hawaii-

Investors lose a fortune in firm operated by the CIA

Gavin Esler tells the story of a CIA operation in Hawaii which could serve as a storyline for an episode in *Hawaii Five-O*, except that there is no scope for its square-jawed hero, Police Chief Steve McGarrett, to make everything all right.

Like any other upmarket financial consultancy, the Hawaiian firm of Bishop, Baldwin, Rewald, Dillingham and Wong had a company photograph taken. In the front row sit the chairman, Ron Rewald, and the president Sunny Wong. Mr Bishop, Mr Baldwin and Mr Dillingham are not in the picture because they do not exist. These are what Hawaiians call 'kamaaina' names—old-established family names in the islands used as part of the company name to give it spurious credibility.

Bishop Baldwin, which collapsed into bankruptcy last August, with \$22 million of investors' money allegedly gone missing, could have been a simple swindle: the chairman, Rewald, cheating naive investors. Instead, it was a major CIA intelligence front—what CIA Central Cover Staff at headquarters in Langley, Virginia, would call a 'proprietary'. It was a functioning company of some 40 or 50 people engaged in legitimate business activities to provide a cover for around ten CIA agents. How the operation fell apart and came to be mistaken for a confidence trick is a tale of lies and deceit which reveals how the new CIA under its director, William Casey, operates, and how covert operations are organised not, as is widely assumed, mainly through American embassies, but through private businesses.

Newsnight has uncovered hundreds of pages of documents and tape-recordings relating to Bishop Baldwin which show how it was used to spy on the President of the Philippines, steal high-technology plans from Japan and sell arms

clandestinely to Taiwan. The story links together three CIA station chiefs, an American four- and a three-star general and one of the ten richest bankers in the world, a Filipino called Enrique Zobel. On the sidelines are 400 investors who provided the cover for CIA operations and have now lost their money.

Ron Rewald came to Hawaii in 1977, from Milwaukee, Wisconsin, with a bankruptcy behind him and a conviction on a minor charge. He had one qualification: in the 1960s he had played a minor role in illegal CIA spying on American students involved in protests against the Vietnam War. By 1983 he was being entertained by generals and CIA station chiefs, running a fleet of limousines and playing polo with sultans and princes.

The transformation began in 1978, when Rewald and Wong set up Bishop Baldwin in luxurious offices in the heart of Honolulu's business district—Rewald even had an indoor waterfall behind his desk. In a sworn affidavit Rewald says that to complete the cover the CIA wrote a phoney history for the company, saying that it had operated in Hawaii since 'territory days'—before Hawaii became the 50th state in 1959. The CIA also printed a false degree certificate for Rewald to hang on his office wall, and ensured he was listed as an 'old boy' in university records. Such was the CIA fiction, but, inevitably, the truth was even stranger.

Bishop Baldwin's staff sound like extras from a James Bond film. Jack Kindschi, listed in promotional literature as an 'outstanding consultant',



Jack Kindschi with Ron Rewald

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was best known at CIA headquarters as a covert operations veteran of Europe and Central America and CIA station chief in Honolulu in the early days of Rewald's company, before 'retiring' to join Bishop Baldwin. Bob Jinks, a lawyer from Napa, California, was another 'outstanding consultant'—and, he admitted to us, a CIA agent involved in assessing the projected economic impact of the Communist takeover of Hong Kong in 1997. Sue Wilson, the office manager, worked for nine years at the ultra-secret National Security Agency in Washington, including a spell as secretary to the head of the Cryptoanalysis and Operations division. Finally, there was Captain Ned Avary, a 'very experienced consultant', whose name frequently appears on Bishop Baldwin telexes concerning an arms deal with Taiwan.

From 1980 onwards the company grew rapidly. Four-star General Hunter Harris, formerly Vice-Commander at Strategic Air Command in Nebraska, was an investor and before it collapsed last summer, was going to join the company. The Commander of the Pacific Air Force, three-star General Arnie Brasswell, was also planning to join the company when he retired from the military in Hawaii last autumn. Brasswell was often photographed socialising with Rewald and, in December 1982, invited him to a dinner in honour of the Air Force Chief of Staff General Charles Gabriel. Every male guest at the dinner was either a general or admiral, except the former bankrupt from Milwaukee.

Rewald's cover as a multinational financial consultant allowed him to live like a playboy in a house worth two million dollars on a private lagoon along the coast from Waikiki Beach. He owned at least 20 cars, and ran the Hawaii Polo Club where Prince Charles played in 1982, and where television stars, like Jack Lord, and the Governor of Hawaii would occasionally drop in. But the polo club doubled as an ideal CIA operation where agents, 'outstanding consultants' and military friends could meet and cultivate potential sources of intelligence.

Through polo, Rewald assiduously cultivated the Sultan of Brunei, the absolute ruler of a tiny oil-rich state on the tip of Borneo granted independence from Britain this year. Brunei is a member of OPEC and Bishop Baldwin, and the CIA, hoped to obtain information on the movement of oil-prices and to encourage the Sultan to invest in the United States. Shortly before independence, the Sultan switched over four billion dollars of his investment portfolio from the care of Britain's Crown Agents to the supervision of two American banks, Morgan Guaranty and Citibank.

Enrique Zobel, the Filipino, reputed to be one of the ten richest bankers in the world, is also a keen polo player and frequently seen in the pleasant surrounding of Hawaii. Zobel is critical of President Marcos, but has access to

the highest levels of Filipino society, and through the banking system would be aware if Marcos, in anticipation of being deposed, were to move funds out of Manila. Ever since the downfall of the Shah of Iran in 1979 and American intelligence's humiliation in failing to predict either the rise of the Ayatollah Khomeini or the seizure of the American Embassy hostages, the CIA has been rebuilt and covert operations given a new prominence. A key role is to ensure that Americans are never again caught by the surprise of a hostile regime supplanting an ally. Rewald says Zobel was 'number three' on the CIA's list of powerful people to be cultivated. We have obtained copies of a contract signed by both Rewald and Zobel, setting up a joint corporation in Hawaii, an indication of how close the two men had become.

Rewald was cultivating a number of Indonesian businessmen, with such apparent success that he was in line to become Indonesia's honorary consul in Hawaii last autumn. Obviously a titular appointment, it would nevertheless have given Rewald an opportunity to socialise with Indonesian politicians and military leaders.

What the Hawaiian operation shows is that CIA agents operating in deep cover are far more likely to work as 'businessmen' than as 'diplomats'. The reasons for adopting this form of cover are obvious: the chance to engage in mutually advantageous financial deals; offering genuine investment services to foreign clients, and socialising with them results in the perfect entrée for intelligence work. As CIA agent and Bishop Baldwin consultant Bob Jinks put it to us: 'We could hardly knock on doors and say: "I'm from the CIA, please tell me all you know."'

But the operation fell apart. As investment consultants they required investments, and this proved the weak spot of an otherwise thriving CIA-private enterprise operation. Four hundred or so investors were recruited on the promise of exceptionally good—20 to 26 per cent—annual returns. Most were relations or friends of agents, or military figures: Generals Brasswell and Harris, Jack Kindschi, Kindschi's mother, Rewald and his family, Bob Jinks and 14 friends of his from Napa, California. Some knew of the CIA connection, some suspected it, some were completely in the dark.

In July 1983, Hawaiian television received a tip-off from a disgruntled prospective investor who, because the investment side of the business was getting out of hand, had been turned down. Hawaiian TV journalists investigated and discovered the name of the company was phoney, Rewald's degree certificate was false, and they uncovered other deceptions. It looked as though they had uncovered a fraud. Most of the investors remained calm, but a few panicked and petitioned for bankruptcy. Rewald also panicked and, fearing disgrace, slit his wrists, losing four pints of blood.

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The company photograph

When he had sufficiently recovered, he was arrested on suspicion of fraud. A bankruptcy trustee was appointed and state charges of theft were filed against Rewald. Now it was the CIA's turn to panic, for they were faced with imminent disclosure.

If Rewald defended himself against the fraud charges, he could do so only by uncovering a priceless network of CIA operations. Two agents, sent from Washington to Honolulu, told the judge in the federal court that to their knowledge there was no connection between Rewald, Bishop Baldwin and the CIA. But, they said, six packets of documents and tapes had been seized during four CIA/FBI raids on Bishop Baldwin's files, and these should be sealed by the court because they contained matter relating to 'national security'.

Then the bankruptcy trustee's officer,

Thomas Hayes, going through the by now sanitised remaining files, noticed the CIA were paying \$5,000-worth of telephone bills for companies operating out of Bishop Baldwin's offices. These are, in CIA jargon, 'notionals', or paper companies used to move money to pay agents or provide cover for other operations. 'Canadian Far East Trade Corporation', 'H and H Enterprises' and 'CMI Investments' led the trustee to conclude that the CIA must have 'egg on its face' for associating with a swindler. But, of course, the relationship was far deeper.

Telexes in our possession from the Bishop Baldwin offices from 'consultant' Ned Avary talk of arms shipments to Taiwan. Successive American administrations have attempted to steer a difficult course between a rapprochement with Communist China and supplying Taiwan's military needs. Bishop Baldwin was asked to supply tanks, personnel carriers, army helmets and even secret laser sighting-devices for rifles. Following the bankruptcy, Rewald's lawyers have written to CIA director William Casey, asking him to forward ten million dollars'-worth of commission on the deal to the company.

Rewald also admitted to his lawyers, in a tape-recorded interview, to stealing plans for the Japanese High Speed Surface Transport, a kind of levitational train under development by Japan Airlines in competition with American and European manufacturers. CIA intelligence requirements from 1979 show acute interest in the project. Other intelligence requirements relate to the prospect of Argentina defaulting on American loans, and the stability of Thailand.

There are dozens of unanswered questions about the Rewald operation, not the least of which is where did the money go? The trustee believes, not having seen any of the key CIA documents, that \$13 million was spent in four years by Rewald the playboy, and most of Hawaii concurs. Rewald says the money was funnelled through almost 100 bank accounts, to Indonesia, Tonga, the Cook Islands, Cayman Islands, Fiji, Spain and South America, and that former 'partners' are not likely to come forward and admit to an association with the CIA which might lead to their deaths.

Whoever is correct, the investors have lost their money. Ted Frigard lost \$300,000 and has been evicted twice since the crash. Through an old family friend, the flamboyant San Francisco lawyer Melvin Belli, he and the man who is supposed to have swindled him, Rewald, are taking joint legal action against the CIA. Another lawyer, on behalf of 14 Californian investors, is suing William Casey and the CIA for negligence and being party to the deceptions.

In any event, William Casey and CIA Central Cover Staff will find themselves busy over the next few months, explaining to creditors, lawyers, and, ultimately, the American people precisely what they were up to in the middle of the Pacific. For the moment, the CIA, like Messrs Bishop, Baldwin and Dillingham, are remaining absolutely silent.

Gavin Esler reported on the CIA scandal in Hawaii for 'Newsnight' (BBC2). The producer was David Coxon Taylor.